

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3995
ANSWERED ON:23.03.2001
RATE OF INTEREST ON LOANS TO STUDENTS
MOHAMMED SHAHABUDDIN

Will the Minister of FINANCE be pleased to state:

(a): whether the attention of the Government has been drawn towards Birla-Ambani report regarding providing loans to students at low rates of interest from banks and other financial institutions and to simplify the cumbersome process being adopted by them in providing loans as higher studies are going to be costly in future due to privatization;

(b): if so, the details of other recommendations of this report in this regard; and

(c): the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) : No, Sir. Government is not aware of such report. However, as per the deliberations in the meeting of the Finance Minister with the Chief Executives of Public Sector Banks at New Delhi on 13th June, 2000 a Study Group was constituted to review the existing educational loan schemes of various banks especially the parameters relating to interest rate, collateral security and repayment terms etc. The study group has since submitted its report. Based on the recommendations of study group, Finance Minister has announced a new comprehensive educational loan scheme in his Budget Speech 2001-2002. The Scheme will cover all courses in schools and colleges in India and abroad. Loans will be available under this scheme up to Rs.7.5 lakh for studies in India, and Rs.15 lakh for studies abroad. No collateral or margin will be stipulated for loans up to Rs.4 lakh and the interest rate will not exceed the Prime Lending Rate (PLR) of the banks. The interest rate will not exceed PLR plus 1 percent for loans above Rs.4 lakh. The loans to be repaid over a period of 5 to 7 years with provision of grace period.

(b) & (c) : Do not arise.